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Second Edition Nontraded REIT Fee Study Webinar

Second Edition Nontraded REIT Fee Study



April 2018

Second Edition



**BLUE
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Nontraded REIT Fee Study

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Where to find the 2nd Edition NTR Fee Study

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Sponsor Focus



From Inside the V

Which nontraded REIT progra
announced that its sponsor's ti
founding principals will invest
net after-tax compensation in
shares of the REIT?

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The Vault

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NONTRADED REITS

NTR Review

NTR Individual Reports

Individual Full-Cycle
Summaries

NONTRADED BUSINESS
DEVELOPMENT
COMPANIES (BDCS)

BDC Review

BDC Individual Reports

NONTRADED REIT
STUDIES

BRIEF (YEAR IN REVIEW)

INTERVAL FUNDS AND
NONTRADED CEFS

IFCEF Reviews

IFCEF Individual Reports

INSIGHTS



Nontraded REIT Fee Study

In this study of the different types of fees and expenses that are important in ultimately determining the investment returns to common stockholders in nontraded REITs, Blue Vault has compiled data for all effective nontraded REIT programs as of September 30, 2016. It is our goal to present this data in a clear, objective and understandable format. Every nontraded REIT program files an SEC form S-11 when a new REIT product is introduced to the market. Within this filing any interested investor will typically find well over 150 pages of fine print describing in detail the plans of the REIT sponsor to raise funds and invest in commercial real estate of various types with various strategies and objectives. Included will be suitability standards for investment in most of the states in the U.S., lengthy warnings about the risks inherent in the program and the commercial real estate market, and pages of “boiler plate” language that meets the SEC requirements for full disclosure and stays away from promising any particular rate of return or safety from loss.

 [First Edition Nontraded REIT Fee Study November 2016 - Final](#)

 [Second Edition Nontraded REIT Fee Study April 2018 - Final](#)



Poll Question #1



The 2nd Edition NTR Fee Study



Executive Summary

- There were 26 open Nontraded REIT offerings as of December 31, 2017. Of those, ten were continuous offerings of daily or monthly NAV products.
- None of the open REITs offered a single common share class. Open REITs had a total of 97 different share classes including 21 Class A, 30 Class T and 20 Class I share categories. Many of the different share classes differed from REIT to REIT in name only or very slightly in other ways such as minimum investments and qualified investor types.

Executive Summary

- The most important change in nontraded REIT offerings since 2014 has been the introduction of Class T shares with trailing dealer manager fees, with upfront commissions down from 7% to 3% or 2% and trailing shareholder service fees ranging from 0.0% to 1.125% paid from shareholder distributions annually over four to six years until total underwriting expenses reach 10% of gross offering proceeds.
- While front loads (selling commissions plus dealer manager fees) have decreased for many share classes, resulting in greater percentages of offering proceeds available immediately for investment, net proceeds after expenses which include deductions for Other Organization & Offering Expenses will depend on both the mix of different share classes sold in the offerings and the success of the offering in raising the authorized total proceeds.

Executive Summary

The most important fees with regard to their impact on average shareholder returns from the nontraded REIT program are Asset Management Fees or Advisory Fees that are paid continually over the life of the REIT. These fees have much greater relative impact on shareholder returns than upfront fees, transaction fees or fees paid at the liquidity event.

Executive Summary

- Many types of fees that are listed in an offering prospectus will have uncertain impacts on shareholders because:
 - fees such as property management, development services, construction management and property management oversight will depend on the way the REIT develops and manages its properties, either internally or via third-party contracts
 - fees such as disposition fees will depend upon the nature of the REIT's liquidity-producing events, whether through property sales, listings or mergers
 - market-based fees cannot be predicted and may vary by each transaction
 - performance-based fees will only be paid if the non-compounded returns to shareholders exceed a specified hurdle rate at the time of a full-cycle event, or for daily NAV products, annually based upon calculated shareholder returns each year

Executive Summary

- A prospectus may give a range for a particular fee or an upper limit for the fee that depends upon the specifics of a given transaction or property.
- Discounts for volume purchases of shares are available in most programs, resulting in slightly lower average upfront fees as a percentage of the offering proceeds.

Types of Fees and Incidence

Selling Commissions

Portion of the offering price which is paid to the broker dealers who sell shares to the public. Can range from 0.00% for some classes (e.g. Class I for institutional investors) to 7.00% (e.g. some Class A shares). They do not apply to DRIP.

Dealer Manager Fees

Paid to dealer manager from offering proceeds. May be re-allowed to participating broker dealers based on sales volume and other factors. Do not apply to DRIP. Can range from 0.00% to 3.00% depending on share class. Three daily NAV REITs have trailing dealer manager commissions.

Organization & Other Offering Expenses

REITs reimburse the advisor and dealer manager for organization and offering expenses incurred on REIT's behalf connected to the offering. The actual amount will vary depending upon the success of the offering. The range of estimates is 0.45% to 2.00% for open offerings, and two REITs have advisors that pay these expenses with the opportunity to recoup through other fees.

Types of Fees and Incidence

Total Front Load Before Offering Expenses =
Selling Commission + Dealer Manager Fee

Total Front Load Including Offering Expenses =
Selling Commission + Dealer Manager Fee + Organization & Offering
Expenses

Annual Distribution/Shareholder Servicing Fee

Trailing fee deducted from distributions for Class T shares

Deducted from each distribution until a maximum is reached

When 10% ceiling is reached for all offering costs, Class T shares receive
the same distributions as Class A shares

All Fees for All 26 Open Offerings

(as of December 31, 2017)



REIT	Share Classes	Initial Offering Price per Share	Price change	Selling Commissions	Dealer Manager Fees	O & O Expense	Total Front Load Before Expenses	Net Proceeds Before Expenses	Annual Distribution / SH Servicing Fee
Black Creek Diversified Property Fund Inc.	Class T		\$ 7.72	3.00%	0.50%	1.02%	3.50%	\$ 7.46	0.85%
Black Creek Diversified Property Fund Inc.	Class S		\$ 7.72	3.50%	0.00%	1.02%	3.50%	\$ 7.46	0.85%
Black Creek Diversified Property Fund Inc.	Class I		\$ 7.46	0.00%	0.00%	1.02%	0.00%	\$ 7.46	0.00%
Black Creek Diversified Property Fund Inc.	Class D		\$ 7.46	0.00%	0.00%	1.02%	0.00%	\$ 7.46	0.25%
Black Creek Industrial REIT IV, Inc.	Class I	\$ 10.00	\$ 10.00	0.00%	0.00%	1.10%	0.00%	\$ 10.00	0.00%
Black Creek Industrial REIT IV, Inc.	Class T	\$ 9.42	\$ 10.47	2.00%	2.50%	1.10%	4.50%	\$ 10.00	1.00%
Black Creek Industrial REIT IV, Inc.	Class W	\$ 9.04	\$ 10.00	0.00%	0.00%	1.10%	0.00%	\$ 10.00	0.50%
Blackstone Real Estate Income Trust	Class T	\$ 10.35	\$ 10.83	3.00%	0.50%	0.68%	3.50%	\$ 10.47	0.85%
Blackstone Real Estate Income Trust	Class S	\$ 10.35	\$ 11.01	3.50%	0.00%	0.68%	3.50%	\$ 10.63	0.85%
Blackstone Real Estate Income Trust	Class D	\$ 10.00	\$ 10.52	0.00%	0.00%	0.68%	0.00%	\$ 10.52	0.25%
Blackstone Real Estate Income Trust	Class I	\$ 10.00	\$ 10.62	0.00%	0.00%	0.68%	0.00%	\$ 10.62	0.00%
Carter Validus Mission Critical REIT II, Inc.	Class A	\$ 10.00	\$ 10.20	7.00%	3.00%	1.50%	10.00%	\$ 9.18	0.00%
Carter Validus Mission Critical REIT II, Inc.	Class I	\$ 9.16	\$ 9.27	0.00%	1.00%	1.50%	1.00%	\$ 9.18	0.00%
Carter Validus Mission Critical REIT II, Inc.	Class T	\$ 9.57	\$ 9.77	3.00%	3.00%	1.50%	6.00%	\$ 9.18	1.00%
CNL Healthcare Properties II, Inc.	Class A	\$ 10.93	\$ 10.93	6.00%	2.50%	0.00%	8.50%	\$ 10.00	0.00%
CNL Healthcare Properties II, Inc.	Class T	\$ 10.50	\$ 10.50	3.00%	1.75%	0.00%	4.75%	\$ 10.00	1.00%
CNL Healthcare Properties II, Inc.	Class I	\$ 10.00	\$ 10.00	0.00%	0.00%	0.00%	0.00%	\$ 10.00	0.50%
Cole Credit Property Trust V, Inc.	Class A	\$ 25.00	\$ 26.37	7.00%	2.00%	up to 2%	9.00%	\$ 24.00	0.00%
Cole Credit Property Trust V, Inc.	Class T	\$ 25.26	\$ 25.26	3.00%	2.00%	up to 2%	5.00%	\$ 24.00	1.00%
Cole Office & Industrial (CCIT III) REIT, Inc.	Class A	\$ 10.00	\$ 10.00	7.00%	2.00%	up to 1%	9.00%	\$ 9.10	0.00%
Cole Office & Industrial (CCIT III) REIT, Inc.	Class T	\$ 9.57	\$ 9.57	3.00%	2.00%	up to 1%	5.00%	\$ 9.10	1.00%
Cole Real Estate Income Strategy (Daily NAV), Inc.	Class A	\$ 16.72	\$ 18.79	3.75%	0.55%	0.75%	3.75%	\$ 18.11	0.50%
Cole Real Estate Income Strategy (Daily NAV), Inc.	Class I	\$ 16.82	\$ 18.51	0.00%	0.25%	0.75%	0.00%	\$ 18.51	0.00%
Cole Real Estate Income Strategy (Daily NAV), Inc.	Class W	\$ 15.00	\$ 18.33	0.00%	0.55%	0.75%	0.00%	\$ 18.33	0.00%
FS Credit Real Estate Income Trust, Inc.	Class T	\$ 26.11	\$ 26.11	3.00%	1.25%	0.68%	4.25%	\$ 25.00	1.00%
FS Credit Real Estate Income Trust, Inc.	Class T-C	\$ 25.78	\$ 25.78	3.00%	0.00%	0.68%	3.00%	\$ 25.00	0.85%
FS Credit Real Estate Income Trust, Inc.	Class D	\$ 25.00	\$ 25.00	0.00%	0.00%	0.68%	0.00%	\$ 25.00	0.30%
FS Credit Real Estate Income Trust, Inc.	Class M	\$ 25.00	\$ 25.00	0.00%	0.00%	0.68%	0.00%	\$ 25.00	0.30%
FS Credit Real Estate Income Trust, Inc.	Class I	\$ 25.00	\$ 25.00	0.00%	0.00%	0.68%	0.00%	\$ 25.00	0.00%

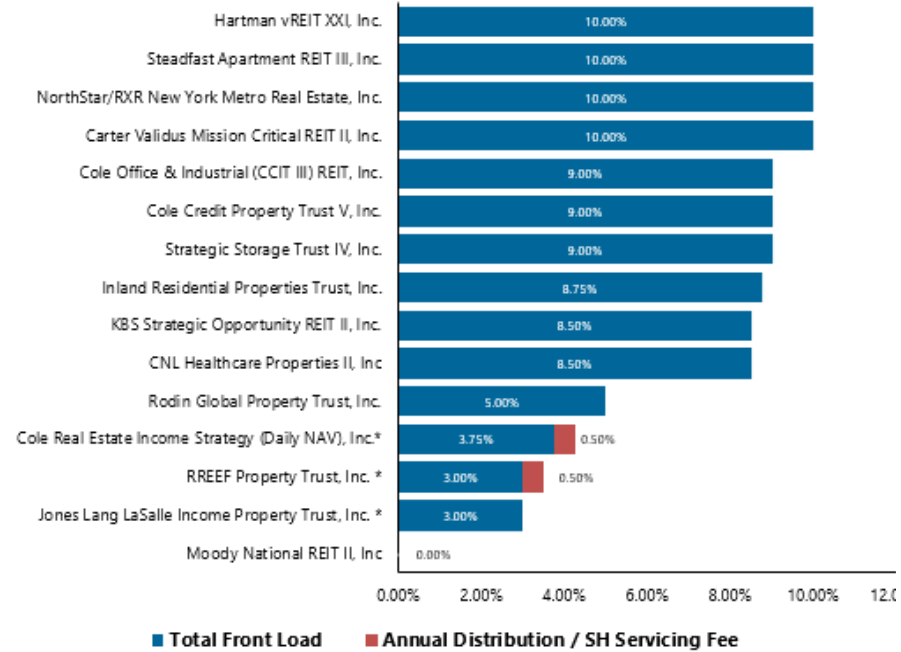
Front Load – Class A



Total Front Load Before Expenses for Class A shares


See Notes

Total Front Load Before Expenses for Class A shares (Plus Ongoing Annual Distribution/Shareholder Servicing Fee for Daily NAV Programs)



* Cole Real Estate Income Strategy (Daily NAV) has a trailing 0.55% annualized dealer manager fee based on NAV.
 RREEF Property Trust has a 0.55% trailing annualized dealer manager fee based on NAV. JLL Income Property Trust has a trailing 1.05% annualized dealer manager fee based on NAV.

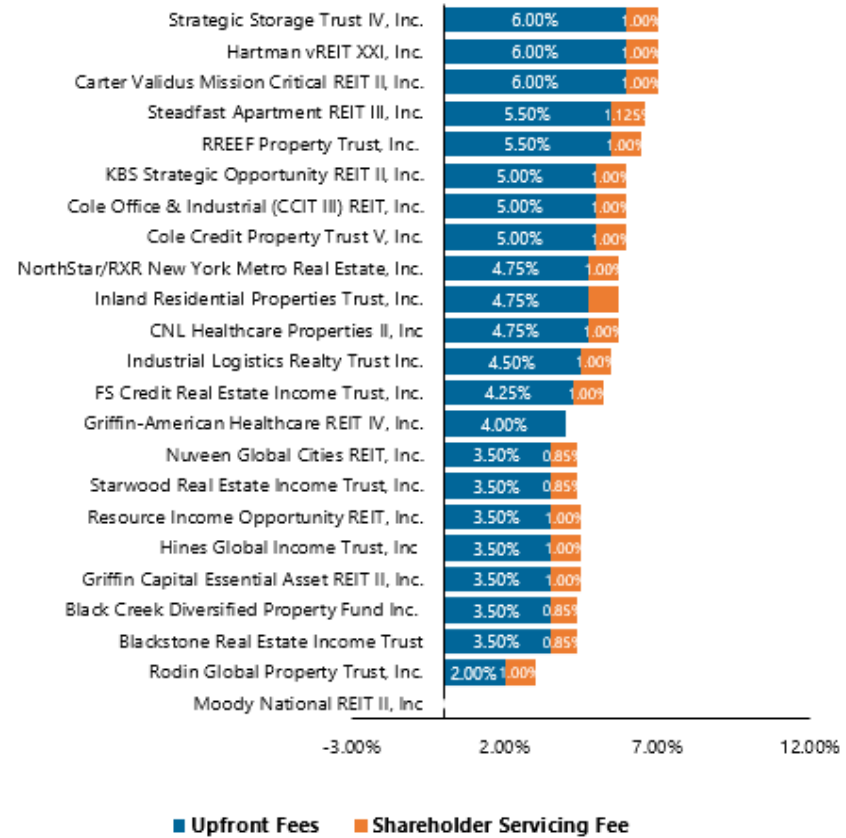
Front Load – Class A Second Study vs. First Study

First Fee Study		Second Fee Study
REITs	Total Front Load	REITs
0	0.00%	1
2	3.00%	2
1	3.50%	0
1	3.75%	1
0	5.00%	1
1	6.50%	0
1	8.00%	0
3	8.50%	2
1	8.75%	1
2	9.00%	3
2	9.50%	0
1	9.75%	0
12	10.00%	4
27	Total Count	15
Weighted Averages		
8.47%		7.17% 

Front Load – Class T



Total Front Load Before Expenses for Class T Shares
(Plus Ongoing Annual Distribution / Shareholder Servicing Fee)



Front Load – Class T Second Study vs. First Study



First Fee Study		Second Fee Study
REITs	Total Front Load	REITs
0	0.00%	1
0	2.00%	1
1	3.25%	0
1	3.50%	7
5	4.00%	1
0	4.25%	1
0	4.50%	1
5	4.75%	3
8	5.00%	3
1	5.50%	2
1	5.75%	0
1	6.00%	3
23 Total Count		23
Weighted Averages		
4.68%		4.24%



Transaction Fees

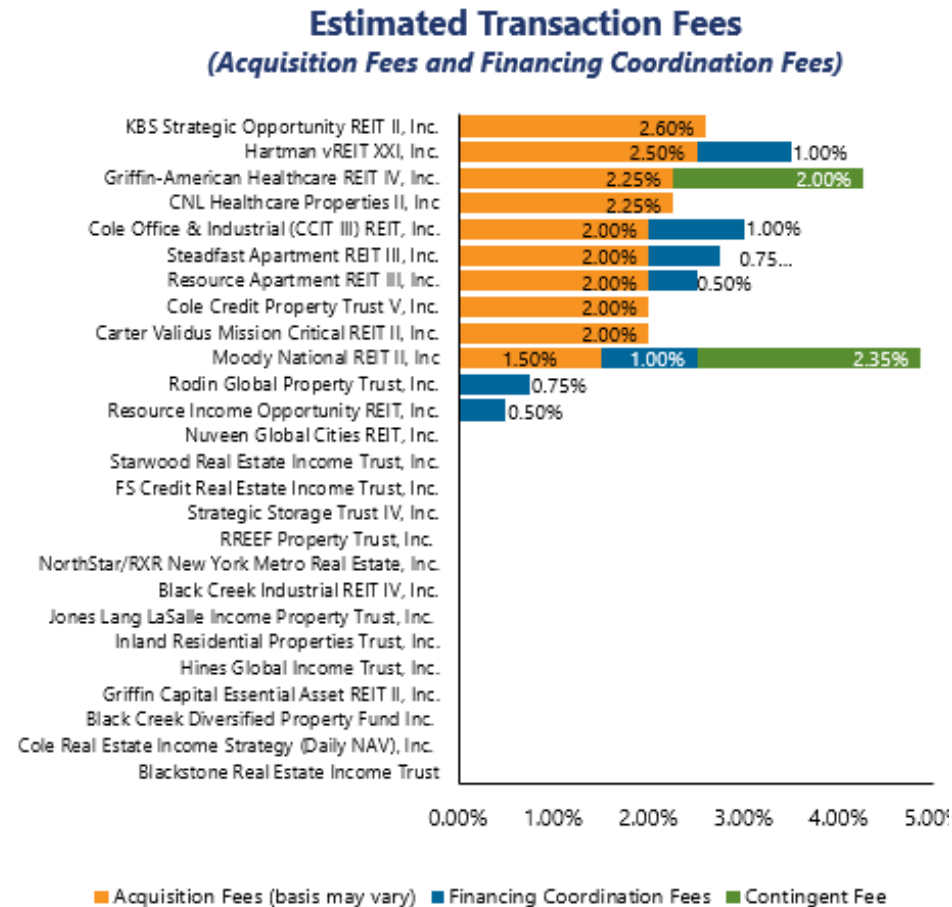


(Impact all share classes)

Acquisition Fees

Financing Coordination Fees

Contingent Fees



Transaction Fees

Second Study vs. First Study

	Acquisition Fees		Financing Coordination Fees
First Study			
REITs with No Fee	6	←	20
Weighted Average	1.57%	←	0.33%
Count	30		30
Second Study			
REITs with No Fee	16	←	19
Weighted Average	0.81%	←	0.21%
Count	26		26

Two REIT offerings have a contingent portion of acquisition fees to re-coup the portion of offering costs subsidized by the sponsor.

Asset Management Fees



Most Important Fees in Impact on Average Shareholder Returns

These fees are paid by the REIT to the advisor/sponsor on a monthly or quarterly basis for the life of the REIT program.

Because they are on-going, they have the greatest impact on shareholder returns compared to one-time up-front fees such as selling commissions, dealer manager fees, and organization costs.

Both the Annual Rate and the Basis for the Asset Management Fee Are Important

Asset Management Fee rates vary across all nontraded REIT programs

There are up to twelve different ways that fees are calculated among recent offering prospectuses

The asset base used to calculate the fee can be:

- Aggregate NAVs

- Gross assets

- Cost of assets

- Average invested assets

- Cost of assets less debt

- Other basis (daily asset values, daily NAV, aggregate monthly NAVs, daily NAV + incentive)

Asset Management Fees

Example

Using a theoretical REIT with \$1.0 billion in assets financed 50% by debt (\$500 million equity + \$500 million in debt financing) we can calculate the estimated annual asset management fees to be paid by the REIT to the advisor.

Asset management fees as a percentage vary from 0.50% to 1.10% across the offerings.

The basis for calculating the fees vary , and the effect of increases in the market value of a REIT's assets or aggregate NAVs will vary as well.

The shaded cells show the annual fees using the rates and basis for the REITs in the current study.

Asset Management Fees



For \$1 Billion in Total Assets Annual Asset Management Fees in Millions
Basis of Fee Calculation for \$500 Million Equity + 50% Debt Ratio

Asset Management Fee Percentage	Aggregate NAV	Gross Assets or Avg. Invested Assets	Cost of Investments Less Debt	Aggregate Market Value	Aggregate MV w/10% MV Appreciation	Aggregate NAV w/10% NAV Appreciation
0.50%	\$2.50	\$5.00	\$2.50	\$5.00	\$5.50	\$3.00
0.60%	\$3.00	\$6.00	\$3.00	\$6.00	\$6.60	\$3.60
0.75%	\$3.80	\$7.50	\$3.80	\$7.50	\$8.30	\$4.50
0.80%	\$4.00	\$8.00	\$4.00	\$8.00	\$8.80	\$4.80
0.90%	\$4.50	\$9.00	\$4.50	\$9.00	\$9.90	\$5.40
1.00%	\$5.00	\$10.00	\$5.00	\$10.00	\$11.00	\$6.00
1.10%	\$5.80	\$11.50	\$5.80	\$11.50	\$12.70	\$6.90

Actual Asset Management Fees

Actual Asset Management Fee Rates and Basis for Open NTR Offerings	Asset Management Fee Percentage							
	0.50%	0.60%	0.75%	0.80%	0.90%	1.00%	1.10%	1.25%
Aggregate NAV					1	2	1	6
Gross Assets or Avg. Invested Assets		1	4	2		2		2
Cost of Investments						4		2
Aggregate Market Value	1		1	1		2		

Asset Management Fee Rates and Basis of Calculations



Asset Management Fees Calculation

REIT	Asset Management Fees Rate	Basis for Calculating Asset Management Fees
Black Creek Diversified Property Fund Inc.	1.10%	Aggregate monthly NAVs
Black Creek Industrial REIT IV, Inc.	0.80%	Aggregate cost of U.S. / 1.20% outside U.S.
Blackstone Real Estate Income Trust	1.25%	Aggregate monthly NAVs
Carter Validus Mission Critical REIT II, Inc.	0.75%	Gross assets
CNL Healthcare Properties II, Inc.	0.80%	Daily asset values
Cole Credit Property Trust V, Inc.	0.75%	Average invested assets
Cole Office & Industrial (CCIT III) REIT, Inc.	0.75%	Average invested assets
Cole Real Estate Income Strategy (Daily NAV), Inc.	0.90%	Aggregate daily NAVs
FS Credit Real Estate Income Trust, Inc.	1.25%	Daily NAV
Griffin Capital Essential Asset REIT II, Inc.	1.25%	Daily NAV
Griffin-American Healthcare REIT IV, Inc.	0.80%	Average invested assets
Hartman REIT XXI, Inc.	0.75%	Higher of cost or value of investments
Hines Global Income Trust, Inc.	0.75%	Aggregate MV after NAV
Inland Residential Properties Trust, Inc.	0.60%	Average invested assets
Jones Lang LaSalle Income Property Trust, Inc.	1.25%	Daily NAV + incentive
KBS Strategic Opportunity REIT II, Inc.	1.00%	1% of cost or 2% of cost less debt
Moody National REIT II, Inc.	1.00%	Cost of assets
Moody National REIT II, Inc.	1.00%	Cost of investments
NorthStar/RXR New York Metro Real Estate, Inc.	1.00%	Funded or allocated for CRE
Nuveen Global Cities REIT, Inc.	1.25%	Aggregate NAV
Resource Apartment REIT III, Inc.	1.00%	Cost of assets
Resource Income Opportunity REIT, Inc.	1.25%	Cost of assets less debt
Rodin Global Property Trust, Inc.	1.25%	Cost of investments
RREEF Property Trust, Inc.	1.00%	Fixed component + incentive
Starwood Real Estate Income Trust, Inc.	1.25%	Aggregate NAV
Steadfast Apartment REIT III, Inc.	0.50%	0.5% up to \$300 million asset values, 1.0% thereafter investment values
Strategic Storage Trust IV, Inc.	1.00%	Aggregate asset value



Poll Question #2

Ongoing and Transaction Fees



REIT	Acquisition Fees (basis may differ)	Financing Coordination Fees	Disposition Fees or Commissions	Estimated Acquisition Expenses	Asset Management Fees (See the table on page 13)	Development Services and/ Construction Management Fee	Property Management Oversight Fees	Debt Investment Fee
JonesLangLaSalleIncome Property Trust, Inc.	0.00%	0.00%	0.00%	**	1.25%	0.00%	0.00%	0.00%
KBS Strategic Opportunity REIT II, Inc.	2.60%	0.00%	1.0% - 1.5%	0.60%	1.00%			2.60%
Black Creek Industrial REIT IV, Inc.	0.00%	0.00%	1.00%	**	0.80%	0.00%		NA
Moody National REIT II, Inc.	1.50%/2.35% ⁴	1.00%	3.00%	*	1.00%		4.00% ⁴	1.50%
Hartman vREIT XXI, Inc.	2.50%	0.00%	3.00%	*	0.75%			
NorthStar/RXR New York Metro Real Estate, Inc.	0.00%	0.00%	0.00%	0.50%	1.00%	up to 10%		1.00%
Resource Apartment REIT III, Inc.	2.00%	0.50%	2.00%	0.50%	1.00%	5.00%		2.00% +2.75% ⁷
Resource Income Opportunity REIT, Inc.	2.00%	0.50%	2.00%	**	1.25%	3%-5%	1.00%	2.00%
Rodin Global Property Trust, Inc.	0.00%	0.75%	2.00%	*	1.25%		1.00%	
RREEF Property Trust, Inc.	0.00%	0.00%	0.00%	**	1.00%			0.00%
Steadfast Apartment REIT III, Inc.	2.00%	0.75%	1.50%	*	0.5%-1%	6.00%	1.00%	2.00%
Strategic Storage Trust IV, Inc.	0.00%	0.00%	0.00%	1.00%	1.00%	5.00%	6.00% ⁵	1.75%
FS Credit Real Estate Income Trust, Inc.	0.00%	0.00%	0.00%	*	1.25%			
Starwood Real Estate Income Trust, Inc.	0.00%	0.00%	0.00%	**	1.25%			
Nuveen Global Cities REIT, Inc.	0.00%	0.00%	0.00%	**	1.25%			
Minimum	0.00%	0.00%	0.00%	0.50%	0.60%	0.00%	0.00%	0.00%
Maximum	4.50%	1.00%	3.00%	1.00%	1.25%	10.00%	6.00%	2.75%
Median	0.00%	0.50%	1.00%	0.60%	1.00%	5.00%	1.00%	1.63%

* The total of all acquisition fees and expenses relating to a real property acquisition may not exceed 6.0% of the contract purchase price.

** Actual amounts cannot be determined at the present time.

*** The 4.50% or 4.25% acquisition fees consist of a 2.25% or 2.00% base acquisition fee for real estate and real estate-related acquisitions, respectively, and an additional 2.25% Contingent Advisor Payment.

4. A monthly hotel management fee equal to 4.0% of the monthly gross receipts from the properties managed by property manager.

5. Aggregate property management fees equal to the greater of \$3,000 per month or 6% of gross revenues from properties.

6. A 1.5% base acquisition fee and up to an additional 2.35% contingent advisor payment.

7. 2.00% debt acquisition fee + 2.75% ongoing debt servicing fee

Liquidating Fees



REIT	Disposition Fees or Commissions for Property Sales	Subordinated Performance Fee	Preferred Return	Subordinated Incentive Fee / Incentive Plan Compensation (maximum % of CS outstanding)	Subordinated Distribution Due Upon Termination of Advisory Agreement	Subordinated Incentive Listing and/or Merger Distribution	Subordinated Distribution Due Upon Extraordinary Transaction
Black Creek Diversified Property Fund Inc.	0.00%	12.50%	5.00%				
Black Creek Industrial REIT IV, Inc.	1.00%	12.50%	5.00%				
Blackstone Real Estate Income Trust		12.50%	5.00%				
Carter Validus Mission Critical REIT II, Inc.	1.00%	15.00%	6.00%		15.00%	15.00%	
CNL Healthcare Properties II, Inc.	1.00%	15.00%	6.00%			0.00%	
Cole Credit Property Trust V, Inc.	1.00%	15.00%	6.00%		15.00%	15.00%	15.00%
Cole Office & Industrial (CCIT III) REIT, Inc.	1.00%	15.00%	6.00%		15.00%	15.00%	15.00%
Cole Real Estate Income Strategy (Daily NAV), Inc.		25.00%	6.00%				
FS Credit Real Estate Income Trust, Inc.	0.00%	10%	6.50%				
Griffin Capital Essential Asset REIT II, Inc.	0.00%	12.50%	5.50%	5% stock	Contingent	Contingent	Contingent
Griffin-American Healthcare REIT IV, Inc.	2.00%	15.00%	6.00%		15.00%	15.00%	15.00%
Hartman vREIT XXI, Inc.	3.00%	15.00%	6.00%		15.00%	15.00%	
Hines Global Income Trust, Inc.		12.50%	5.00%				
Inland Residential Properties Trust, Inc.	0.00%	15.00%	6.00%	5% stock	15.00%	15.00%	
Jones Lang LaSalle Income Property Trust, Inc.	0	10.00%	7.00%				
KBS Strategic Opportunity REIT III, Inc.	1%-1.5%	15.00%	7.00%			15.00%	
Moody National REIT II, Inc.	3.00%	15.00%	6.00%		15.00%	15.00%	
NorthStar/RXR New York Metro Real Estate, Inc.	0.00%	15.00%	6.00%				
Nuveen Global Cities REIT, Inc.							
Resource Apartment REIT III, Inc.	2.00%						
Resource Income Opportunity REIT, Inc.	0.00%	13%	5.50%				
Rodin Global Property Trust, Inc.	2.00%	15.00%	6.00%		0.15	0.15	
RREEF Property Trust, Inc.		25.00%	6.00%				
Starwood Real Estate Income Trust, Inc.		12.50%	5.00%				
Steadfast Apartment REIT III, Inc.	1.50%	15.00%	6.00%	10.00%	15.00%	15.00%	
Strategic Storage Trust IV, Inc.			6.00%	5.00%	15.00%	15.00%	15.00%

Maximum	3.00%	25.00%	7.00%	10.00%	15.00%	15.00%	15.00%
Minimum	0.00%	10.00%	5.00%	5.00%	15.00%	0.00%	15.00%
Median	1.00%	15.00%	6.00%	7.50%	15.00%	15.00%	15.00%

Organization and Offering Costs

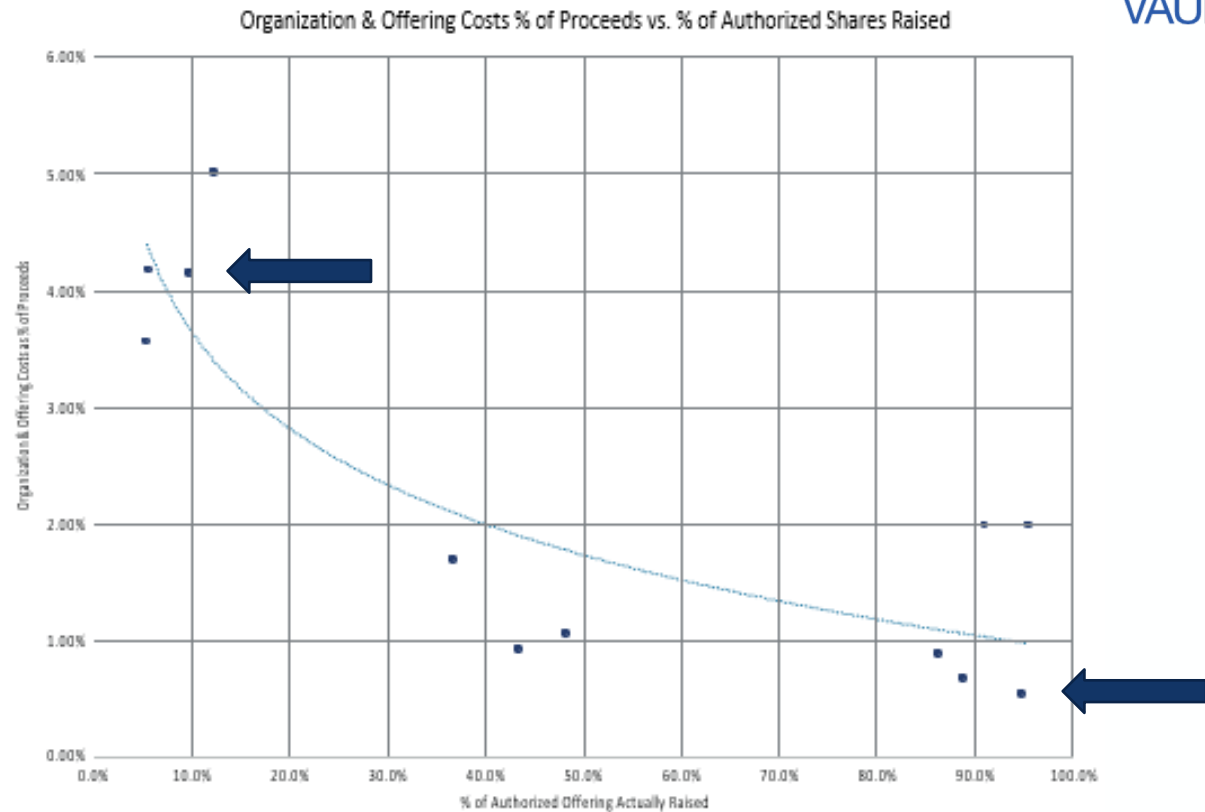
These are difficult to estimate as a percentage because the percentage will vary with both the size and success of the offering.

Have a “fixed” component which will not vary with the actual offering proceeds raised. When this fixed component is spread over a larger capital raise, it is a lower percentage of the total equity raised.

The percentage is only estimated in the offering prospectus, and often it is estimated based upon the maximum capital to be raised in the offering, which is seldom achieved.

May be subsidized to varying degrees by the sponsor, or recovered on a contingent basis.

Organization and Offering Costs as % of Proceeds vs. % of Authorized Shares Sold



Selling Commission Discounts

Sliding Scale of Selling Commissions for Volume Purchase - Table

Subscription Amount	Selling Commission Percent	Selling Commission per Share	Effective Purchase Price per Share	Net Proceeds per Share
Up to \$500,000	7.00%	\$0.70	\$10.00	\$9.30
\$500,001-\$1,000,000	6.00%	\$0.60	\$9.90	\$9.30
\$1,000,001-\$2,000,000	5.00%	\$0.50	\$9.80	\$9.30
\$2,000,001-\$5,000,000	4.00%	\$0.40	\$9.70	\$9.30
\$5,000,001-\$7,500,000	3.00%	\$0.30	\$9.60	\$9.30
\$7,500,000 - \$10,000,000	2.00%	\$0.20	\$9.50	\$9.30
Over \$10,000,000	1.00%	\$0.10	\$9.40	\$9.30

Source: Strategic Storage Growth Trust, Inc., S-11 filed March 10, 2016.

Changes in Front Loads Since 1st Fee Study



REIT	Selling Commission		Dealer Manager Fee		S/H Servicing Fee	
	Edition 1	Edition 2	Edition 1	Edition 2	Edition 1	Edition 2
CNL Healthcare Properties II, Inc.						
Class A	7.00%	6.00%	2.75%	2.50%		
Class T	2.00%	3.00%	2.75%	1.75%		
Cole Credit Property Trust V, Inc.						
Class T					0.80%	1.00%
Griffin Capital Essential Asset REIT II, Inc.						
Class T			1.00%	0.50%		
Class I			1.00%	0.00%		
Griffin-American Healthcare REIT IV, Inc.						
Class I			1.00%	0.00%		
Class T					?	Paid by REIT
Hines Global REIT II, Inc.						
Class T	2.00%	3.00%	1.25%	0.50%		
Jones Lang LaSalle Income Property Trust, Inc.						
Class A	3.50%	3.00%				
Black Creek Industrial REIT IV, Inc (Industrial Logistics Realty Trust Inc., Logistics Property Trust)						
Class T			2.00%	2.50%		
Class W					0.60%	0.50%
Resource Income Opportunity REIT, Inc (Resource Innovation Office REIT, Inc.)						
Class T	2.00%	3.00%	3%	0.50%		
Steadfast Apartment REIT III, Inc.						
Class R					0.67%	0.27%
Number of the REITs in the 1st Edition	30					
Number of the REITs in the 2nd Edition	26					
Number of changes	4		6		4	

	Positive impact on shareholder returns
	Negative impact on shareholder returns

Changes in Transaction Fees Since 1st Fee Study



REIT	Acquisition Fee		Disposition Fee		Debt Investment Fee		Development Services/Construction Mgmt. Fees	
	Edition 1	Edition 2	Edition 1	Edition 2	Edition 1	Edition 2	Edition 1	Edition 2
CNL Healthcare Properties II, Inc			2.00% of market capitalization	1.00%				
Griffin Capital Essential Asset REIT II, Inc.	2% basis/ 1.85% contingent	0%	2.00%	0%	2.00%	0.00%		
Griffin-American Healthcare REIT IV, Inc.					up to 4.5%	NA		
Hines Global REIT II, Inc.	2.25%	0.00%	1.00%	0.00%	2.25%	0.00%		
Black Creek Industrial REIT IV, Inc (Industrial Logistics Realty Trust Inc., Logistics Property Trust)	2.00%	0.00%	2.50%	1.00%	1.00%	NA	4.00%	0.00%
NorthStar/RXR New York Metro Real Estate, Inc.	2.25%(RE)/ 1%(Debt)	0%	2% (RE)/ 1%(Debt)	0%				
Resource Income Opportunity REIT, Inc (Resource Innovation Office REIT, Inc.)	2.00%	0.00%	2.00%	0.0%	2.00%	0.50%	3%-5%	0.00%
Moody National REIT II, Inc	1.50%	1.5% + 2.35% contingent						
Number of the REITs in the 1st Edition	30							
Number of the REITs in the 2 nd Edition	26							
Number of changes	6		6		5		2	

	Positive impact on shareholder returns
	Negative impact on shareholder returns

Changes in Performance Fees Since 1st Fee Study



REIT	Subordinated Performance Fee		Preferred Return		Subordinated Incentive Fee/Incentive Plan Compensation (maximum % of CS outstanding)		Subordinated Distribution Due Upon Termination of Advisory Agreement		Subordinated Incentive Listing and/or Merger Distribution		Subordinated Distribution Due Upon Extraordinary Transaction	
	Edition 1	Edition 2	Edition 1	Edition 2	Edition 1	Edition 2	Edition 1	Edition 2	Edition 1	Edition 2	Edition 1	Edition 2
Griffin Capital Essential Asset REIT II, Inc.	15.00%	12.50%	6.00%	5.50%	10% stock	5% stock	15%	Contingent	15%	Contingent	15%	Contingent
Hines Global REIT II, Inc.	15.00%	12.50%	6.00%	5.00%								
Black Creek Industrial REIT IV, Inc (Industrial Logistics Realty Trust Inc., Logistics Property Trust)	15.00%	12.50%	6.00%	5.00%								
Resource Income Opportunity REIT, Inc (Resource Innovation Office REIT, Inc.)	15.00%	12.50%	6.00%	5.50%								
Steadfast Apartment REIT III, Inc.				6.00%				15%		15%		
Moody National REIT II, Inc				6.00%				15%		15%		
Number of the REITs in the 1st Edition	30											
Number of the REITs in the 2nd Edition	26											
Number of changes	4		4		1		3		3		1	

	Positive impact on shareholder returns
	Negative impact on shareholder returns

Poll Question #3

The Impact of Fees on Shareholder Returns



The greatest concern of investors and financial advisors regarding fees is how they may impact returns on investment over the life of the REIT.

Many variables impact investor returns besides NTR fees. Among the most important:

- Average return on assets in the REIT's portfolio (NOI / Average Assets)
- The rate of appreciation of the REIT's investment portfolio
- The life of the nontraded REIT program from inception to full-cycle
- The degree of leverage (debt) utilized by the REIT
- The cost of debt (interest rates)

Sensitivity Analysis for NTR Fees

To measure the relative impacts of the different types of fees on shareholder returns, we construct a financial model with basic assumptions about the previous variables fixed.

We then vary each type of fee over a range of values and measure the changes in average shareholder returns. This is called a “sensitivity analysis.”

$$\textit{Sensitivity} = \frac{\Delta IRR}{\Delta Fee} = \textit{change in IRR for a change in fee percentage}$$

The purpose of the sensitivity analysis is not to predict shareholder returns, but to estimate the relative importance of different fees in their effects on shareholder returns.

Sensitivity Analysis for NTR Fees



Holding all other variables constant, change a particular fee and measure the change in average shareholder returns over the life of the REIT.

Express the impact of the fee change as a ratio. For example, a 1.00% change in a selling commission from 3.00% up to 4.00% or down to 2.00%, holding all other assumptions constant, results in a -0.10% and +0.09% change in average shareholder returns, respectively.

Base Case Assumptions

In order to begin the sensitivity analysis, the financial model uses reasonable assumptions about other variables, within the range of actual nontraded REIT experience.

The actual base case assumptions are not critically important as long as they are reasonably representative. The results of the sensitivity analysis will be similar with a variety of assumptions because we are measuring the relative impact of changes in fees to identify which have the greatest relative impact for a given set of assumptions.

Base Case Assumptions



Life of nontraded REIT from inception to full-cycle	8 years
Average return on assets annualized (NOI/Avg. Assets)	6.00%
Annual appreciation of REIT asset market values	3.50%
Debt ratio	50%
Weighted average cost of debt	3.40%

Sensitivity Analysis

Base Case Variables

Fee Description or Base Case Variable	Base Case Value for Open REITs	Incidence
Selling Commissions	3.00%	Front
Dealer Manager Fees	2.40%	Front
Total Front Load Before Offering Expenses	5.40%	Front
Other Organizational & Offering Expenses (Estimated)	1.00%	Front
Total Front Load including Offering Expenses	6.40%	Front
Offering Price per Share	\$10.00	
Net Proceeds After Organizational & Offering Expenses	\$9.36	
Annual Distribution / Shareholder Servicing Fee	0.50%	Annual
Distribution Yield Annualized (Before Distribution Fees)	6.00%	
Acquisition Fees	2.00%	Portfolio Build
Estimated Acquisition Expenses	0.70%	Portfolio Build
Financing Coordination Fees	0.65%	Portfolio Build
Asset Management Fees	1.00%	Annual
Disposition Fees or Commissions	0.00%	Liquidation
Subordinated Performance Fee	15.00%	Liquidation
Preferred Return	6.00%	
Subordinated distribution Due Upon Termination of Advisory Agreement	15.00%	Termination
Subordinated Incentive Listing Distribution	15.00%	Listing
Subordinated Distribution Due Upon Extraordinary Transaction	15.00%	e.g. Listing or Merger
Debt Investment Fee **	0.50%	Debt REITs
Additional Assumptions		
Life of Nontraded REIT Program Inception to Full-Cycle Event	8 years	
Average Return on Assets Annualized (NOI / Avg. Assets)	6.00%	
Annual Asset Appreciation Assumption	3.50%	
Debt Ratio Assumption	50.00%	
Weighted Average Cost of Debt Assumption	3.40%	

Sensitivity Analysis

Relative Sensitivity of Shareholder Returns to Variations in Base Case

Sensitivity Analysis - Table

Fee Description or Base Case Variable	Incidence	Base Case Value	Base Case IRR	Higher Value	IRR with Higher Value	Lower Value	IRR with Lower Value	Upside Sensitivity	Downside Sensitivity
Selling Commissions	Front	3.00%	8.33%	4.00%	8.23%	2.00%	8.42%	-0.10	0.09
Dealer Manager Fees	Front	2.40%	8.33%	3.40%	8.23%	1.40%	8.42%	-0.10	0.09
Other Org. & Offering Exp.	Front	1.00%	8.33%	1.50%	8.28%	0.50%	8.37%	-0.10	0.08
Total Front Load		6.40%	8.33%	7.40%	8.23%	5.40%	8.42%	-0.10	0.09
Offering Price per Share		\$10.00		\$10.00		\$10.00			
Net Proceeds Before Expenses		\$9.36		\$9.26		\$9.46			
Trailing									
Annual Distribution / SH Servicing Fee	Annual for 5 Yrs.	0.50%	8.33%	1.00%	8.09%	0.00%	8.57%	-0.48	0.48
Annual Distribution / SH Servicing Fee drops	4.5 Yrs or 5.5 Yrs	5	8.33%	5.5	8.30%	4.5	8.35%	-0.00	0.00
Distribution Yield Annualized	Annual	6.00%	8.33%	6.50%	8.69%	5.50%	7.96%	0.72	-0.74
Ongoing Fees and Expenses									
Acquisition Fees	Portfolio Build	2.00%	8.33%	3.00%	8.16%	1.00%	8.50%	-0.17	0.17
Estimated Acquisition Expenses	Portfolio Build	0.70%	8.33%	1.00%	8.28%	0.40%	8.38%	-0.17	0.17
Financing Coordination Fees	Portfolio Build	0.65%	8.33%	1.00%	8.30%	0.00%	8.38%	-0.09	0.08
Asset Management Fees	Annual	1.00%	8.33%	1.50%	7.83%	0.50%	8.81%	-1.00	0.96
Disposition Fees or Commissions	Liquidation	0.00%	8.33%	1.00%	8.16%	0.00%	NA	-0.17	NA
Subordinated Performance Fee*	Liquidation	15.00%	8.33%	20.00%	8.09%	10.00%	8.56%	-0.05	0.05
Preferred Return		6.00%	8.33%	7.00%	8.56%	5.00%	8.09%	0.23	-0.24
Subordinated Distribution Due Upon Termination of Advisory Agreement	Termination	15.00%	8.33%	20.00%	8.09%	10.00%	8.56%	-0.05	0.05



Sensitivity Analysis

Relative Sensitivity of Shareholder Returns to Variations in Base Case



Sensitivity Analysis - Table

Fee Description or Base Case Variable	Incidence	Base Case Value	Base Case IRR	Higher Value	IRR with Higher Value	Lower Value	IRR with Lower Value	Upside Sensitivity	Downside Sensitivity
Subordinated Incentive Listing Distribution	Listing	15.00%	8.33%	20.00%	8.09%	10.00%	8.56%	-0.05	0.05
Subordinated Distribution Due Upon Extraordinary Transaction	Merger	15.00%	8.33%	20.00%	8.09%	10.00%	8.56%	-0.05	0.05
Debt Investment Fee**	Debt REITs only	0.50%	8.33%	0.60%	8.31%	0.40%	8.34%	-0.20	0.10
Assumptions in the Model									
Asset Appreciation Assumption (Annual)		3.50%	8.33%	4.00%	8.89%	3.00%	7.76%	1.12	-1.14
Debt Ratio Assumption***		50%	8.33%	60%	8.32%	40%	7.86%	-0.00	-0.05
Weighted Average Cost of Debt Assumption		3.40%	8.33%	3.50%	8.30%	3.30%	8.37%	-0.30	0.40

* A Subordinated Incentive Fee/Incentive Plan Compensation is shown in five of the 26 offerings open as of December 31, 2017.

**Only six REITs have this fee in their prospectuses as of December 31, 2017.

***The impact of leverage is closely related to the relationship between the weighted average cost of debt and the rate of appreciation in asset values. The greater the spread between the rate of asset appreciation and the weighted average cost of debt, the greater the impact of leverage on shareholder returns.

Conclusions of the 2nd Edition NTR Fee Study



All nontraded REIT offerings now have multiple share classes with differing:

- Selling commissions

- Dealer manager fees

- Distribution / Shareholder servicing fees

REITs have eliminated some fees:

- Acquisition fees

- Disposition fees

- Financing coordination fees

And lowered upfront fees:

- Selling commissions

- Dealer manager fees

Conclusions of the 2nd Edition NTR Fee Study



Many fees and offering expenses are estimates that depend upon:

- The total capital raised in an offering
- The types of assets purchased, developed or managed
- Market-determined transaction costs

The subordinated performance fees paid to sponsors/advisors generally have lower hurdle rates (preferred returns) and lower participation rates in the current offerings.

The most important fees impacting annualized shareholder returns:

- Asset management fees
- Shareholder servicing fees
- Preferred return (hurdle rates, when exceeded)

Thank You!

We welcome your questions.

To download the 2nd Edition Blue Vault Nontraded REIT Fee Study please visit our Blue Vault website at:

www.bluevaultpartners.com